



State of Alabama Department of Revenue

(www.revenue.alabama.gov)
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Montgomery, Alabama 36132

CYNTHIA UNDERWOOD
Assistant Commissioner
LEWIS A. EASTERLY
Secretary

August 13, 2009

Cliff Seagroves, Deputy Director
Diplomatic Property, Taxes, Services & Benefits
United States Department of State
Office of Foreign Missions, Room 2236
Washington, D. C. 20520

Dear Mr. Seagroves:

Thank you for your letter dated July 28, 2009, regarding the Diplomatic Tax Exemption Program and for taking the time yesterday to discuss and resolve the issues that were raised in the letter.

As we discussed, with the exception of vendors selling vehicles, vendors are not required under Department of Revenue Sales Tax Rule 810-6-3-.24.01 to contact the U. S. Department of State, Office of Foreign Missions (OFM) as a condition for extending diplomatic or consular tax exemption privileges to persons issued tax exemption cards by the OFM. In accordance with the requirements of OFM, section 4 of the rule does require a vendor selling vehicles to contact the OFM for a determination on the tax-exempt status of the purchaser prior to selling a vehicle under the Diplomatic Tax Exemption Program. In response, the OFM will provide a letter to the vendor stating whether the purchaser is eligible for exemption from taxes.

Rule 810-6-3-.24.01 was last amended on December 9, 2003. However, your letter prompted the Department to review OFM's requirements for tax exempt sales made under the provisions of the Diplomatic Tax Exemption Program. As a result we recognize the need to update the rule to reflect the fact that sellers of vehicles may contact OFM via electronic mail or telephone and to provide the current contact email address and telephone number for the OFM Regional Office in Miami.

Thank you for your help.

If you need additional information please contact me at (334) 353-9133.

Sincerely,

Deborah Lee
Special Projects Unit
Sales, Use & Business Tax Division

cc: Tim Russell

ALABAMA DEPARTMENT OF REVENUE

SALES, USE & BUSINESS TAX DIVISION

SALES & USE TAX RULE

810-6-3-.24.01. Foreign Diplomatic and Consular Officials.

(1) Sales and use tax does not apply to sales of tangible personal property to foreign diplomatic and consular officials, to the extent that such persons have been identified by the U.S. Department of State as exempt from the tax pursuant to treaties or other diplomatic agreements with the United States. (U.S. Constitution, Article VI, and Code of Alabama 1975, Sections 40-23-4(a)(17) and 40-23-62(2))

(2) Lodgings tax does not apply to rooms, lodgings, or accommodations rented or furnished to foreign diplomatic and consular officials, to the extent that such persons have been identified by the U.S. Department of State as exempt from the tax pursuant to treaties or other diplomatic agreements with the United States. (U.S. Constitution, Article VI)

(3) Other than the exception noted in (4) below, persons identified as exempt from taxation pursuant to treaties or other diplomatic agreements with the United States are issued a tax exemption card by the U.S. Department of State which identifies the bearer as exempt from tax and specifies the extent of the exemption. Tax exemption cards may be personal tax exemption cards or mission tax exemption cards. Personal tax exemption cards bear the photograph and identification of a duly accredited consulate or embassy employee who is entitled to tax exemption privileges as stated on the card and are for the personal use of the bearer whose picture appears on the front of the card. Mission tax exemption cards bear the photograph and identification of a consulate or embassy employee who is the official purchasing agent for that office and are for use by the purchasing agent to make official purchases for the foreign consulate or embassy. Mission tax exemption cards are not transferable and may not be used for personal purchases of tangible personal property or personal rentals of rooms, lodgings, or accommodations.

(4) Tax exemptions allowed on vehicle purchases by all diplomatic missions and members in the United States must be approved or denied by the U.S. Department of State, Office of Foreign Missions, before the transaction is completed. Prior to completing the transaction, vendors selling vehicles pursuant to a diplomatic tax exemption must follow these procedures:

(a) The purchaser should present a mission tax exemption card, a personal tax exemption card, or a protocol identification card to the seller. Members of the United Nations (UN), Organization of American States (OAS), World Bank (WB), and the International Monetary Fund (IMF) requesting a diplomatic exemption on the purchase of a vehicle must present their personal tax exemption card.

(b) The vendor must contact the U.S. Department of State, Office of Foreign Missions, at (202) 895-3563 for a determination on the tax-exempt status of the purchaser.

(c) The U.S. Department of State, Office of Foreign Missions, will determine the tax-exempt status of the purchaser and provide a letter to the vendor setting forth that determination.

(5) Sales, use, and lodgings taxes apply to the following:

(a) Sales of tangible personal property to, and the rental or furnishing of rooms, lodgings, or accommodations to, foreign diplomatic and consular officials who do not hold a tax exemption card issued by the U.S. Department of State.

(b) sales of tangible personal property to, and the rental or furnishing of rooms, lodgings, or accommodations to, persons holding tax exemption cards where their total purchases in a single transaction do not exceed the minimum level of exemption as specified on the tax exemption card. With respect to minimum purchase requirements, the total of all items purchased in a single transaction must equal or exceed the minimum purchase level shown on the card. For example, if a foreign official has a

card with a minimum purchase requirement of \$150, the official is required to pay sales or use tax on a bill of \$145. However, the same official would be exempt from all sales or use taxes on a bill of \$175. Also, if two foreign officials are traveling together but they have separate rooms and separate bills, they cannot combine the room bills under one total in order to qualify for a lodgings tax exemption.

(c) sales of tangible personal property to, and the rental or furnishing of rooms, lodgings, or accommodations to, nationals of the United States even though such persons may perform consular functions for foreign governments.

(6) Sellers making sales to, or renting or furnishing rooms, lodgings, or accommodations to, foreign diplomatic and consular officials shall retain a copy of the invoice or other written evidence of the transaction to support any deductions claimed on their sales, use, or lodgings tax returns for tax-exempt sales or room rentals to foreign diplomatic and consular officials. These invoices shall show the name of the purchaser, the name of the mission, the tax exemption number, the expiration date of the tax exemption card, and the minimum level of exemption specified on the tax exemption card. When a personal tax exemption card is presented, the seller may ask the purchaser for an additional form of identification such as the purchaser's drivers license or his or her diplomatic or consular identification card, which many holders of personal tax exemption cards are also issued. (Sections 40-2A-7(a)(1), 40-23-9, and 40-23-83)

(Sections 40-2A-7(a)(5), 40-2A-7(a)(1), 40-23-4(a)(17), 40-23-9, 40-23-62 and 40-23-83) (Adopted through APA effective November 3, 1998; amended December 9, 2003)

Numeric Index